

Message Text

LIMITED OFFICIAL USE

PAGE 01 KUWAIT 03641 040950Z

13

ACTION EB-11

INFO OCT-01 EUR-25 NEA-10 ISO-00 AID-20 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01 L-03 PA-03 PRS-01

USIA-15 DRC-01 /135 W

----- 010836

R 030821Z OCT 73

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 7831

INFO AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY LONDON

AMEMBASSY JIDDA

USMISSION OECD PARIS

LIMITED OFFICIAL USE KUWAIT 3641

DEPT PASS TREASURY

E.O. 11652: N/A

TAGS: EFIN KU

SUBJECT: LOANS FOR WESTERN BORROWERS

REF: KUWAIT 3495

1. CONVERSATIONS WITH LOCAL BANKERS CONFIRM INFO PARA 3 REFTTEL THAT WESTERN BORROWERS INCREASINGLY INTERESTED IN OBTAINING KUWAIT DINAR (KD) DENOMINATED LOANS. KUWAIT INVESTMENT COMPANY EXPECTS EXTEND KD LOANS TO AMERICAN BORROWERS SOON IN CONNECTION WITH CERTAIN INVESTMENTS CURRENTLY BEING NEGOTIATED. ONE LOCAL BANK HAS EXTENDED TWO LOANS RECENTLY TO UK BORROWERS, ONE FOR A PROJECT IN AUSTRALIA.

2. AN ISSUE WHICH HAS EMERGED IN CONNECTION WITH KD LOANS HAS TO DO WITH RECONVERTING DOLLARS OR OTHER CURRENCIES
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 KUWAIT 03641 040950Z

INTO KDS AT TIME OF REPAYMENT. WE HAVE BEEN TOLD NORMALLY

IN LOAN AGREEMENT KUWAITI LENDER WILL AGREE ACCEPT SPECIFIED CURRENCIES AT EXCHANGE RATE PREVAILING AT TIME OF REPAYMENT OF LOAN. THIS WOULD REFLECT CENTRAL BANK POLICY TO ACCEPT CONVERTIBLE CURRENCIES FOR KDS, ALBEIT AT EXCHANGE RATE OF DAY OF TRANSACTION. MINISTRY FINANCE AND OIL OFFICIAL REMINDED EMBOFF THAT GOK AS MATTER OF POLICY MAINTAINING KD WITHIN 2 1/4 PERCENT OF DOLLAR.

3. DEVELOPMENTS NOTED PRECEEDING PARAGRAPHS LEADING TO TALK OF CREATING FORWARD MARKET IN KDS, PRESUMABLY HERE. SOME LOCAL BANKERS GIVING IDEA SERIOUS CONSIDERATION AND IMF EXPERT AT CENTRAL BANK KNOWN TO BE STUDYING QUESTION. SOME LOCAL OBSERVERS HAVE NOTED WHENEVER KUWAIT PARTICIPATION CRUDE OIL IS SOLD FOR KDS, THERE WILL BE AN INCREASE IN DEMAND FOR KDS AND THIS WILL ENHANCE FEASIBILITY OF FORWARD MARKET IN THE CURRENCY.

4. COMMENT: WE EXPECT LOCAL BANKERS TO MAINTAIN PRESSURE ON CENTRAL BANK TO ALLOW DEVELOPMENT OF FORWARD KD MARKET HERE BECAUSE THEY SEE FORWARD MARKET AS HELPING THEM AVOID BEING SADDLED WITH EXCHANGE RESKS, WHICH IS ONE OF MOST SERIOUS DAY-TO-DAY PROBLEMS THEY FACE.

STOLTZFUS

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CENTRAL BANK, DEVELOPMENT INVESTMENTS, DEVELOPMENT LOANS, FOREIGN EXCHANGE TRANSACTIONS, CONVERTIBLE FOREIGN EXCHANGE
Control Number: n/a
Copy: SINGLE
Draft Date: 03 OCT 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: willialc
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973KUWAIT03641
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: KUWAIT
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731054/aaaabnpv.tel
Line Count: 83
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: KUWAIT 3495
Review Action: RELEASED, APPROVED
Review Authority: willialc
Review Comment: n/a
Review Content Flags:
Review Date: 20 NOV 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <20-Nov-2001 by willialc>; APPROVED <20-Nov-2001 by willialc>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: LOANS FOR WESTERN BORROWERS
TAGS: EFIN, KU
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005